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NATIONAL SECURITY INFORMATION

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National Intelligence Daily Cable for Saturday, 7 January 1978.

The NID Cable is for the purpose of informing senior US officials.

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PORTUGAL: Negotiations on New Government

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[] Portugal's Socialist Party apparently hopes to press the Center Democrats into agreeing on a new government this weekend. The two parties met again yesterday; before that meeting sources on both sides indicated that their differences had narrowed. At that time, however, the parties still had not agreed on the level and scope of Center Democratic participation in a Socialist regime. The Socialists say they have set 15 January as the outside deadline for concluding an agreement. Failure would again raise the prospect of an early national election.

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[] The Socialists and Center Democrats have been on the verge of agreement for some time. President Eanes had originally requested that the basis for a new majority-based government be worked out by this past Thursday.

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[] The two parties are still at odds, however, over the number of Center Democrats to be brought into the government. The Socialists have offered one cabinet position; the Center Democrats say they want four and cannot accept less than three. The Center Democrats also want the Socialists to postpone the conclusion of a separate understanding with the Communists until after the new government is announced. Such an understanding would secure Communist support for austerity measures but would not give them a role in the government.

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[] Some Central Democratic leaders, moreover, continue to believe that the party cannot afford to join a Socialist government as long as the country's other major conservative party, the Social Democratic Party, remains in opposition. A meeting of Center Democratic leaders this weekend could decide the question.

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[] There is little chance the Social Democrats can reach an understanding with the Socialists anytime soon. The Social Democrats have condemned in advance an alliance between the Socialists and Center Democrats and have already begun wooing Center Democratic supporters in northern Portugal.

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[] The Communists, meanwhile, have called the prospective Socialist - Center Democratic alliance a "disaster," but have agreed to go along with it if the new government's platform makes some allowances for their special concerns in the areas of agrarian reform and nationalizations.

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[] An alliance between the Socialists and Center Democrats remains the only realistic hope for a solution, short of an early election. Concern among both Socialists and Center Democrats over party unity and--in the case of the Center Democrats--party survival, however, continues to work against the pressures favoring an agreement. []

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GREECE-TURKEY: Summit Meeting

*The Greeks are wary of the incipient re-
turn of Bulent Ecevit as Turkish Prime Minister. They intend
to await evidence of his sincerity and of his government's stay-
ing power before responding to his peace overtures, which ap-
parently include a call for a summit meeting with Greek Prime
Minister Caramanlis.*

//A US Embassy source who recently met with
senior Greek officials reports that Caramanlis has parried an
exploratory message from Ecevit suggesting an early summit.
The Greeks said such a meeting would have to wait until more
progress in settling differences is made at lower levels. Other
reporting confirms that Caramanlis is reluctant to respond too
quickly to Ecevit's overtures.//

At the core of Greek caution is fear that an early
meeting may endow Ecevit with the image of peacemaker and im-
prove Turkey's standing with mutual allies while producing
little substantive progress. Before agreeing to a summit, the
Greeks would probably want to see the Turkish response to their
proposals of last June on the Aegean continental shelf dispute,
as well as the Ecevit government's attitude on the deadlocked
issues of Aegean airspace and Cyprus.

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[] More generally, Greeks view Ecevit as an impetuous leader who became the first Turk to challenge their self-proclaimed hegemony in the Aegean, ordered the 1974 Turkish intervention in Cyprus, and--during his brief stint as Prime Minister last summer--called for Turkish resettlement of the still-vacant Greek Cypriot section of Famagusta in eastern Cyprus.

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[] They believe at the same time that Ecevit is more decisive than his predecessor and that, as "conqueror" of Cyprus, he may be better able to make concessions on that issue than was outgoing Prime Minister Demirel. They see a chance that these two factors may also facilitate a settlement of the Aegean disputes.

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[] Caramanlis, who shares many traits with Ecevit including a penchant for summit diplomacy, will remain alert for signs of new flexibility in Ankara. For now, however, distrust of Ecevit himself and doubts about the strength of his government will govern Greek attitudes. []

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BRIEFS

GUYANA

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[] Marxist opposition leader Cheddi Jagan has called off his 135-day-old sugar workers' strike in Guyana after apparently failing to win concessions from Prime Minister Forbes Burnham, whose government controls the sugar industry.

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[] Jagan reportedly capitulated on his key demand that government-sponsored "scabs" be withdrawn from the cane fields as a condition for a halt to the strike. The outcome has probably hurt Jagan politically, but it is a costly victory for Burnham, whose government has lost needed sugar revenues and now faces bleak economic prospects and probably additional labor unrest this election year. []

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PERU

25X1 [] //Peru reportedly signed a contract this week with the Netherlands to purchase an obsolete destroyer for \$6 million. President Morales Bermudez assured the US in August that he would approve no new arms agreements through the remainder of Peru's military rule.//

25X1 [] //Negotiations to buy a destroyer from the Dutch date back at least to last April. The Peruvian Government was hoping to purchase a US destroyer, but it apparently decided that the chances for doing so were slight. The Netherlands recently decommissioned two destroyers and offered both to Peru. The Peruvians opted for one, with delivery scheduled for this spring. []

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